collocation space to permit, among other things, connection of the collocator's telecommunications equipment to the Company's equipment. It maintains that such costs are not included as part of RS Means calculations of the cost of constructing single-tenant central offices.

There are additional incremental costs associated with a multiple-tenant central office facility that are not incurred in a single-tenant central office. The differences between a single-tenant and multiple-tenant environment include the need for regular and emergency ingress/egress for secondary tenants, the need to secure areas to which collocators do not have access, and the need for a proper ventilation environment for each collocation space designed to accommodate the particular collocator's equipment.

Finally, the COBO charge also covers the cost of such items as engineering, mechanical and electrical work specific to accommodating the collocator's particular telecommunications equipment in its transmission node, including lighting in the specific collocation area, dedicated power receptacles, additional fire alarm coverage if required, and construction of a security separation between the collocation space and Ameritech equipment. The Company asserts that it is entitled to recoup these additional costs.

Ameritech Illinois structured it COBO charge on a non-recurring basis, in light of the fact that each new collocator has unique equipment and spacing requirements and that COBO work is performed with those unique needs in mind. In addition, since there is no guarantee that vacated space will be occupied immediately by a new collocator, the Company claims that it is appropriate for it to recover all of its costs up-front.

Ameritech Illinois chose the costs associated with the 75th percentile of reported figures because, in comparison to central offices described by RS Means, Ameritech says it builds high quality facilities. It also contends that the 75th percentile costs more appropriately reflect all of the costs associated with the construction of central offices, including site work, equipment, and architect and engineering fees. Projects associated with the 25th and 50th percentile do not include all of these costs for which it should be compensated.

In Company witness Quick's rebuttal testimony, he stated that:

"According to the 1995 version of RS Means Building Construction Cost Data, the 75th percentile floor area construction costs per sq. ft. for telephone exchange is $167. . . Thus, the total investment cost for 100 sq. ft. of net usable space would be $167/sq. ft. times 200 sq. ft., or $33,400."

The third element of the proposed collocation charges is the transmission node enclosure charge. This charge includes not only the incremental costs of building the actual collocation cage, but also maintenance, taxes and other recurring costs

associated with the transmission node enclosure itself. These costs are incorporated into a one-time charge as an accommodation to customers (rather than being charged on a recurring basis). Ameritech Illinois says it is willing to accept the risk that it might suffer a loss on customers who collocate physically for more than the seven-year period on which the charge is based.

AT&T and MCI

AT&T and MCI claim that Ameritech's collocation prices are not forward-looking because they are based on its current office deployment -- single-tenant central offices. It is more likely, that Ameritech has purposely avoided considering a hypothetical multi-tenant office because such a forward-looking perspective would result in lower costs and lower prices. They conclude that its collocation prices are based upon embedded plant and must be rejected as not forward-looking.

MCI stated that the physical collocation charges cannot possibly be supported by TELRIC data. The Company stated that real estate in Illinois simply is not priced so that a space the size of an average walk-in closet would rent for $883.91 per month. This charge is only for the rental of the floor space and does not cover the one-time construction charge. MCI maintains that Ameritech is proposing to charge new entrants prices that would make a real estate agent in Manhattan envious. (MCI Exhibit 2.0 at 50).

As to the floor space charge, AT&T and MCI note that it is based upon 10-year-old building cost data. AI Ex. 9.0, at 14. They also took issue with its practice of grossing up the floor space by charging a price for 200 square feet of floor feet when only a 100 square feet of space is being provided to the collocator. MCI argues that Ameritech's reasoning for "doubling" the amount of floor space from 100 to 200 square feet is inappropriate. Dr. Ankum stated that "All the modifications that Ameritech lists are already included in the $167 per square foot cost identified by RS Means" Dr. Ankum further stated that the $167 identifies the totality of all costs for a square foot of central office space, and there is simply no need to search for any additional costs where it concerns the square feet occupied by collocators. AT&T and MCI argue that Ameritech performed no study to support its grossing-up practice, and contend that its practice of doubling floor space does not account for the sharing of common space between the collocator and Ameritech or the collocator and other collocators. They also contend that collocators will not have access to most of the space that is added as part of the gross-up, and cite as examples storage space and employee facilities.

AT&T and MCI also disputed the Company's conclusion that the high quality materials and construction methods it used to build its central offices support its selection of the 75th percentile -- the highest cost percentile -- and applying it to building construction cost data. They argue that, other than the bald assertions of its collocation witness Mr. Quick, Ameritech Illinois has put forth no support for this claim.

Thus, they conclude that Ameritech has provided no reason for the Commission to believe that its central offices are constructed at a level of quality any different than any other RBOC's central offices.

AT&T and MCI jointly recommend that Ameritech Illinois' CO floor space charge be based on 100 square feet of space, and not 200; (ii) that the CO floor space charge reflect Medium Cost Central Offices; and (iii) that the monthly CO space charge be recalculated based on the annual charge factors supported in the testimony of MCI witness Starkey. (MCI Ex. 3.0P, at 16). Mr. Starkey proposed price ceilings for all the physical collocation elements. His proposals are included in MCI Ex. 3.0P, Attachment MS (Revised).

As to the COBO charge, Dr. Ankum observed that all the modifications that Ameritech recovers by this charge already are included in the per square foot investment cost identified by the Means Guides. (MCI Ex. 2.0P at 53-56). Thus, they contend that the COBO charge is superfluous and that the Commission should eliminate it entirely. They also maintain that the COBO charge is based on backward-looking data because the starting point for the COBO charge is current single-tenant central office. They contend that the floor space charge should be based on the medium cost (50th percentile) figures in Building Construction Cost Data. They assert that Ameritech has not provided evidence to support its claim that its central offices are of a higher quality than other RBOC's and that the Commission therefore has no basis for utilizing the higher cost figures. In addition, AT&T and MCI contend that the costs necessary to make collocation safe, secure and usable (e.g. installation of walls and doors, locks and keys, additional heating and ventilation, etc.) are all included in the per square foot investment cost identified in Building Construction Costs Data. Finally, they propose that if the Commission orders a COBO charge, the Commission should structure the charge of a recurring basis, rather than as an up-front one-time charge. They maintain that a recurring charge more appropriately would reflect the use that a collocator receives from collocation space. A non-recurring charge would cause Ameritech to earn a windfall if a collocator vacates its space early, since collocation space can be used by other new entrants or by the Company once it is vacated. (MCI Ex. 2.2P at 38).

As to Ameritech Illinois' transmission node enclosure charge, AT&T and MCI urge that it should be reconstructed. They note that the Company's method of calculating a Net Present Value ("NPV") for the transmission node enclosure is a mathematical impossibility: the initial investment is first identified and then an NPV calculation is done that results in a figure higher than the initial investment. MCI witness Starkey converted Ameritech's proposed transmission node enclosure charge into a more reasonable forward-looking recurring charge. (MCI Ex. 3.0P at 16).

More generally, AT&T and MCI also note that Ameritech's proposed charges inappropriately include labor time estimates related to space reservations, ordering, and cancellation charges. Dr. Ankum recommended that space reservation and

service-ordering charges be based on one hour of labor time each, which is conservatively high since only the labor time involving an Ameritech representative being contacted should be included. (MCI Ex. 2.0P at 61). Consistent with that recommendation, Mr. Starkey recalculated the space reservation and service-ordering charges to arrive at a more reasonable estimate of the forward-looking cost related to these tasks. (MCI Ex. 3.0P, Schedule MS-5 at 2).

Position of Staff

Staff concluded that Ameritech's collocation costs are excessive. Staff noted that the proposed monthly rental charge is equal to over $80 per square foot per year for the 100 square feet of central office space. This compares to a maximum rate of $20 per square foot that the State of Illinois pays for prime office space in the Chicago loop. (Staff Ex. 6.01 at 2-3). Staff also pointed out that the COBO charge is equal to $259.30 per square foot for the remodeling of 100 square feet. Staff concluded that it is less expensive to build a hospital than to remodel a central office for collocation according to Ameritech. (Id. at 4-5).

Staff also took issue with Ameritech witness Quick's determination of gross square footage and his conclusion that 200 square feet of space is required to provision 100 square foot of collocation space. (Staff Ex. 6.02 at 8-9). Staff agrees that Ameritech is entitled to be compensated for (1) the additional space within the central office equipment room, including hallways and corridors, necessary to provide a 100 square foot collocation node and (2) the costs of providing the support space used to provide such functions as heating, air conditioning, power and other mechanical functions. Staff witness Gasparin, testified that, based on his experience, an additional square footage may be required for support spaces which is equal to 25%. Therefore, Staff determined that an amount equal to 133.33 gross square feet may be appropriate to support 100 net square feet. (Staff Ex. 6.02 at 8-9). Mr. Gasparin opined that a gross-up of the net square foot figure is an appropriate method to recover these costs.

Staff proposed that the COBO charge should not exceed $17,300 for 100 square feet of space, based on the RS Means data, plus an allocation of shared and common costs and the residual. (Staff Initial Brief at 142). Staff further proposed that the annual square footage charge for rent should not exceed $20 per square foot, plus shared and common costs and the residual. Also, those charges should be reduced as appropriate based on the location in the state.

Commission Analysis and Conclusion

The Commission concludes that the overall methodology utilized by Ameritech Illinois to calculate its collocation prices is reasonable and consistent with the TELRIC methodology set forth in the FCC Order. Although Ameritech Illinois necessarily bases its cost on its experiences with single tenant central offices and then reflects the additional costs associated with providing collocation to a third party in its proposed

COBO and enclosure charges, this rate design is reasonable and reflects the best presently-available approximation of the total forward-looking costs that Ameritech Illinois would incur if it built a multi-tenant central office today with space already included and ready for occupancy by particular collocators.

In determining its recurring floor space charge, Ameritech Illinois relied on per square foot costs for central office construction reported in Building Construction Cost Data. RS Means Building Construction Cost Data utilizes present cost information to estimate the square foot cost of building a telephone exchange in the current year. It estimates costs based on actual reported costs incurred by contractors that have built telephone exchanges during the past 10 years. RS Means then adjusts these figures annually utilizing current cost information where applicable. AT&T and MCI's ultimate recommendation is based upon reliance on Building Construction Cost Data, which is what Ameritech Illinois has utilized. Staff has not objected to its use. Moreover, based on the evidence presented, the Commission finds that Building Construction Cost Data provides a proper basis for approximating the per square foot cost of providing floor space in a single-tenant central office.

AT&T and MCI's proposal to completely disallow the gross-up is not supported by the record. By eliminating the gross-up factor, they propose to prevent Ameritech Illinois from recovering a substantial portion of the forward-looking costs that it incurs. The AT&T/MCI proposal would undercompensate Ameritech Illinois and cause it to subsidize the local service offerings of its competitors.

The use of a gross floor area figure, rather than a net usable floor area figure, is reasonable and consistent with industry practices. Indeed, the data supplied in RS Means publication calculates costs based on gross square feet of building area. However, RS Means says nothing about the amount of gross space necessary to support dedication of a net space of 100 square feet to a collocator. Because the space that Ameritech Illinois is pricing is a collocation node that is 100 net square feet in size, the only way to utilize the RS Means' data is to determine the corresponding gross square foot space required to furnish 100 net square feet of collocation space.

The other objections of AT&T, MCI and Staff are without merit. Ameritech Illinois' calculations are based on experience within the telecommunications industry and are consistent with prevailing real estate standards. Staff's proposed gross-up is inadequate and not supported by the evidentiary record. Moreover, AT&T and MCI's argument with respect to access to support space is incorrect. The type of support space that forms the basis of Ameritech Illinois' gross-up is space to which collocators will have access or which support functions necessary for provisioning of collocation space, and collocators benefit from those items. They are all integral components of a central office, such as access halls, service equipment rooms, HVAC rooms, stairs, elevators etc. Finally, based on the evidence provided by Ameritech Illinois, the Commission finds that Ameritech Illinois' has appropriately taken into account any

shared access by multiple collocators. We conclude that Ameritech Illinois' proposal to gross up the floor space by 100 square feet to account for common and support areas is reasonable.

Next we turn to Ameritech Illinois' claim that its use of high quality materials and construction methods justify pricing floor space based upon the 75th percentile which is the highest cost percentile in the Means Building Construction Cost Data guide. We conclude that there is an insufficient basis for this aspect of Ameritech Illinois' cost calculation. Ameritech Illinois' sole support for this claim is the opinion of its witness, Mr. Quick. (AI Rebuttal Ex. 9, p. 18). There is no reason to believe that Ameritech Illinois' central offices are constructed at a level of quality any different than any other RBOC's central offices. The Commission agrees with Staff, which concluded: "Reliable industry estimates of the cost of constructing a new C.O. indicate that this estimate is high." (Staff Ex. 6.01, p. 2). When questioned during hearing, Mr. Quick acknowledged he had no basis for comparing the construction quality of Ameritech central offices to that of other RBOC central offices and, therefore, could not conclude that such offices were constructed in a lower quality manner to that of Ameritech. (Tr. 1573, 1586). Thus, neither Mr. Quick nor Ameritech has made any showing that Ameritech's central offices may properly be termed high cost. We will require a recalculation of the costs based on the more reasonable assumption of the median square foot charges published by Means.

The Commission rejects Staff's proposal that the floor space charge be capped at $20 per square foot per year, based on the rent that the State of Illinois pays for commercial office space in Chicago. As Ameritech Illinois has demonstrated, commercial office space is substantially different and less expensive than telecommunications equipment space.

The intervenors' and Staff's objections to the COBO charge are generally without merit. As we stated earlier in this decision, the general three-part methodology adopted by Ameritech Illinois is reasonable. Therefore, it is appropriate that Ameritech Illinois recover a separate COBO charge. AT&T and MCI's suggestion that the type of costs being recovered through the COBO charge have already been recovered elsewhere is incorrect. As Ameritech Illinois demonstrated, the costs associated with the COBO charge are those incurred by Ameritech Illinois to accommodate the collocating customer within its central offices. These costs are in addition to and distinct from the costs of building the central office itself.

Although Staff recognizes that a separate COBO charge is proper, it also objected to the amount of the charge. Staff's comparison of the COBO charge to RS Means data relating to central office construction and hospital construction is misplaced. Ameritech Illinois did not use Building Construction Costs Data in calculating its COBO charge because RS Means does not provide costing information for multiple-tenant central offices with collocation space. The modifications to a central office necessary to accommodate multiple tenants are distinct costs to Ameritech

Illinois. Neither AT&T and MCI nor Staff has presented any evidence to rebut the data utilized to calculate the COBO charge. Moreover, the Commission rejects Staff's proposal, that the COBO charge be capped at $17,300, as unsupported by the record.

AT&T and MCI also object to the COBO charge being non-recurring. This objection is based on a fundamental misconception that a subsequent collocator will be able to use a vacated collocation space without any additional work being performed on the space. That is simply not the case. Each collocator has unique equipment and spacing requirements and the COBO work that is performed is tailored to those needs. Moreover, there is no guarantee that a vacated space will be immediately occupied by a new collocator. Ameritech Illinois is not required to let space sit idly by if there is no demand for collocation space. In such a case, the space may be reconverted for another use. To accept AT&T and MCI's proposal that the up-front COBO costs be recovered over time would mean that Ameritech Illinois would not be able to recover its full costs if a collocator vacated its space too soon.

With respect to the transmission node enclosure, the Commission finds that the calculation was computed properly. Mr. Palmer explained that it included as a convenience to customers certain recurring costs associated with the enclosure itself. We also consider it appropriate to charge on a non-recurring basis. While other recovery methods for these costs, such as collecting recurring costs on a monthly basis, might be reasonable in concept, Ameritech Illinois' proposed charge reflects the most convenient recovery method based on the record in this proceeding and is approved.

The Commission also finds that Ameritech Illinois' charges for space reservation and ordering are reasonable and supported by the record. AT&T and MCI have offered little more than conclusory statements that these charges are excessive.

M. Power Consumption Charge

Ameritech Illinois imposes a power consumption charge to cover costs that the electric utility imposes, as well as necessary items such as back-up batteries and generators, and the incremental cost for ventilation. It submitted testimony and data which it claims support these figures.

CCI objects to Ameritech Illinois' power consumption charge, claiming that it has not supported its proposed rates. CCI claims that its rate is unreasonable. According to CCI witness Pence, CCI was being charged $2.00 per line, per month for power consumption in the collocation space. (CCI Ex. 1 at 7). Mr. Pence further stated that the $2.00 charge is a calculation and believed that the rate was actually $7.99 per fuse amp.

Mr. Pence stated:

"What I did to calculate this is I went back and actually pulled a bill from Ameritech and that bill breaks down each piece part charges, and included in there was for a digital loop carrier, was 180 times the $7.99. And my understanding from talking with Ameritech that 180 is the rating, the fuse amp rating on that equipment that amounts to, I don't have a calculator here in front of me, but that digital loop carrier equipment handles 672 lines.

So, if I take the 180 times the $7.99 and divide that by 672, you actually get $2.15 or $2.14, or something like that." (Tr. 1537-1538).

During cross examination of Ameritech witness Quick regarding the power consumption charges that were identified and addressed by Mr. Pence, Mr. Quick stated that he was unaware of the power consumption charges. (Tr. 1616).

In response to the power consumption charges, Ameritech witness Palmer justified the charges by explaining that the charge not only includes power consumption, but also includes the cost of generators, rectifiers, batteries and air conditioning. He further explains that, in calculating the per line charges, CCI should divide the total power costs by the total circuit capacity available rather than dividing only by the number of circuits cross-connected. (AI Ex. 3.1 at 38-39). Mr. Quick also discusses the charges for mechanical, electrical and air conditioning, but related those charges to the COBO charge and not the power consumption charges. (AI Ex. 9.0 at 17 & 23).

Staff pointed out that pursuant to Ameritech's power consumption charges, a new LEC could be charged $480.00 per square foot per year for power. (Staff Ex. 6.02 at 10). Staff suggested that the power consumption charges should be based on usage and not per-circuit capacity of the equipment located in the cage. (Tr. 2111). Regarding the power consumption charges, Staff proposed that Ameritech should be directed to recalculate those charges and either provide a cost on a per-unit basis, which is measured for the power consumed, or reduce the charge to a square foot basis, which closely mirrors its actual charges. (Id).

Commission Analysis and Conclusion

We conclude that Ameritech Illinois has failed to justify the level of its power consumption charges. We note that when Mr. Palmer analyzed the power consumption charges paid by Sprint and AT&T, he concluded that these companies paid a cost equivalent to about $0.25 per line. (Tr. 504) Thus CCI is paying a price that is eight times greater than the price other competitive carriers are paying for power. We direct Ameritech Illinois to recalculate the charges along the lines suggested by Staff.

On a separate matter, we note the testimony of Mr. Pence regarding charges assessed by Ameritech Illinois when loops are not available to meet competitors'

requests. We find the record on this matter to be insufficient to render a decision. We suggest that CCI file a separate complaint for investigation of this issue.

N.. Common Transport

Position of Ameritech Illinois

In the course of this proceeding, Ameritech Illinois proposed to offer three interoffice transport options: 1) dedicated interoffice transport; 2) shared transport; and 3) Shared Company Transport. As described by Mr. O'Brien, dedicated transport provides an interoffice transmission facility that is dedicated to a single provider. Shared transport provides a dedicated transmission facility which two or more carriers agree to share, with the price paid by each carrier being a function of how many carriers agree to share a given facility. Under Shared Company Transport, carriers may obtain shared transport services making use of dedicated facilities shared with the Company. Under this option, a carrier can specify any number of trunks up to a total of 23 to be activated between any two Ameritech offices. Those carriers can pay for these facilities based on either a flat monthly charge that is 1/24th of a DS1 rate for each trunk or under a usage-sensitive option.

Ameritech Illinois contends that there is no real dispute concerning the adequacy of these options. The real dispute in this proceeding deals with whether the Company is obligated to offer a so-called "common transport" option. The Commission has also reviewed this option in the Checklist proceeding, Docket 96-0404.

Ameritech Illinois takes the position that common transport is not a network element and is therefore not required to be offered as part of its unbundled local switching. It says that the common transport option sought by AT&T, MCI, and WorldCom amounts to undifferentiated use of the public switch network where such transport is not unbundled, is not dedicated to a carrier, and like other services, is comprised of multiple functionalities.

It claims that the Telecommunications Act defines a network element as "facility or equipment used to provide telecommunications service. A network element also includes features, functions, and capabilities that are provided by such facilities or equipment. . . ". (AI Ex. 2.1 at 8). It further states that, in order to obtain a "feature, function or capability" as a network element, the requesting carrier must designate a discrete facility or equipment in advance for a period of time. The Company claims that this definition requires access to a particular facility or equipment. Ameritech witness O'Brien stated:

"It does not support an interpretation that a requesting carrier can purchase undifferentiated access to network capabilities, without purchasing access to a particular facility or equipment used to provide telecommunications service." Id.

Ameritech Illinois claims that obtaining on demand undifferentiated usage of the functions and capabilities of the public switched network is the purchase of a service, not access to a network element. It further states that the FCC noted:

"When interexchange carriers purchase unbundled elements from incumbents, they are not purchasing exchange access service. They are purchasing a different product, and that product is the right to exclusive access or use of the entire element." AI Ex. 2.1 at 9. It cites 47 C.F.R. ' 51.317 which defines unbundled local transport as "transmission facilities dedicated to a particular customer or carrier, or shared by more than one customer or carrier". Ameritech argues that nothing in this definition contemplates the common transport options sought by the IXCs.

Ameritech Illinois further contends that common transport, as described by the IXCs and others in this proceeding, is not consistent with Section 271(c)(2)(v). It claims that, based on this fundamental premise of the section, local transport must be unbundled from switching or other services. (Id. at 11).

The Company argues that common transport arrangements proposed by the IXCs pose no risk of underutilization of the network in contrast with the FCC's view of network elements as giving purchasers the right to exclusive access or use of an entire element. (FCC Order, ¶358).

Moreover, Ameritech Illinois states the Commission should continue to defer this issue to the FCC and, in the interim, approve its tariffs. When the FCC resolves this issue, Ameritech will make modifications to its tariff, if necessary.

Finally, Ameritech disputes the concern of Staff and AT&T that IXCs may have to construct expensive routing tables to send access traffic to new LECs using the transport options. It takes the position that IXCs route traffic today for popular business services such as MegaCom, which used dedicated connections between a customer and an IXC. Since access traffic can be screened to utilize MegaCom-type services, the same technology could obviously be used to route access traffic to new LECs.

Position of Staff

Staff contends that common transport is a network element based on the FCC Order and the Act's definition of a network element. (Staff Ex. 6.0 at 11). Staff further pointed out that the FCC Order requires incumbent LECs to provide access to interoffice transmission facilities, which includes common transport. (Id. at 12). Because common transport is used in the transmission and provisioning of service, Staff contends that common transport must be a network element. Staff further argues that no technical constraints exist which would prevent Ameritech from providing access to common transport. On the other hand, it argues that there are technical concerns which may preclude an IXC from using the transport options currently offered. Staff cites to its cross-examination of AT&T witness Sherry, where he testified that

where a ULS provider purchases a trunk port and dedicated transport, the IXC then must make routing decisions as to whether to route across Ameritech access services or to the IXC's dedicated transport and dedicated trunk port based on the dial digit. Mr. Sherry claimed that this kind of routing would be similar to that prescribed for long-term number portability, and could take at least two years to implement.

AT&T and MCI

AT&T and MCI state that Ameritech has failed to provide common transport as a network element, thereby giving carriers the ability to send traffic over trunks with it or any other carrier, and to be charged on a per minute-of-use basis for that traffic.

They noted that during AT&T's arbitration proceeding with Ameritech, Company witness Mayer specifically stated that "Ameritech's common transport is, by definition, shared by all users of the network, as well as by Ameritech itself." (AT&T Ex. 7.0 at 3-14). AT&T, therefore, did not list common transport as an unresolved issue in the arbitration proceeding. (Id. at 16-20). In November 1996, as the arbitration proceeding came to a close, Ameritech reneged on its commitment. (Id. at 15-20).

AT&T and MCI note that common transport is an essential network element which is vital to the viability of the Platform. They stress that common transport as defined by Staff and all Intervenors is technically feasible. (Tr. 1722-1724). Ameritech was ordered to provide the Platform (consisting of the unbundled loop, the network interface device, local switching, shared (i.e., common) transport and dedicated transport, signaling and call-related data bases, and tandem switching) by the FCC in its Order and by this Commission in our Wholesale/Platform Order in Dockets. 95-0458/95-053. AT&T and MCI stress the importance of the Platform as a market entry device that is preferable to resale because it allows a CLEC to differentiate its offerings from those of Ameritech, and to charge rates that are competitive with the ILEC. (AT&T Ex. 7.0 at 28).

AT&T and MCI contend that the Company's transport proposals violate the Act and the FCC Order. They comment that the FCC Order requires ILECs, including Ameritech, to "provide interoffice transmission facilities on an unbundled basis to requesting carriers." (FCC Order ¶ 439). Further, the FCC stated that "section 251(d)(2)(B) [of the Act] required incumbent LECs to provide access to shared interoffice facilities and dedicated interoffice facilities." (FCC Order ¶ 447). The FCC Order clearly explained the difference between "exclusive use" and "shared use" of network elements, thereby clarifying that shared facilities would encompass common transport and conclusively established common transport as a network element. FCC Order ¶ 258. The FCC rules also established unbundled shared transport (27 C.F.R. §51.319(d)(2)(i)) and set proxy rates for shared transport on a minutes-of-use basis. §51.513(4); FCC Order ¶ 822.

AT&T contends that common transport is a network element and identifies the FCC statement regarding transport that states:

"For some elements, especially the loop, the requesting carrier will purchase exclusive access to the element for a specific period, such as a monthly basis. Carriers seeking other elements, especially shared facilities such as common transport, are essentially purchasing access to a functionality of the incumbent's facilities on a minute-by-minute basis." (FCC Order ¶258; AT&T Ex. 8.1 at 2).

AT&T responds to Ameritech's contention that common transport is not a network element because it combines functionalities, by referencing other unbundled local switching elements that also combine functionalities. AT&T gives examples for local switching which also include signaling and databases. It further points out signaling which also requires associated links and signal transfer points. Further, AT&T cites Section 251(c)(3) which makes explicit that:

"An incumbent local exchange carrier shall provide such unbundled network elements in a manner that allows requesting carriers to combine such elements in order to provide such telecommunications service". (Id. at 4-5).

AT&T and MCI contend that Ameritech's unbundled local transport ("ULT") tariff is inconsistent with the FCC Order and the common understanding of shared transport. They refer to Ameritech's shared transport proposals as nothing more than an option to purchase dedicated transport. First, Ameritech's own tariff states that its "Shared Carrier" option defines "shared transport" as "dedicated to a group of two or more carriers." Moreover, its "Shared Company" option is nothing more than an option to purchase dedicated transport down to a DS0 level. It will not make available the full functionality of its transport facilities with a CLEC and CLEC traffic will not be carried over its existing, switched network, but on dedicated facilities.

They point to the fact that the Indiana and Ohio Commissions already have required Ameritech to provide shared/common transport on a per-minute of use basis as part of the AT&T/Ameritech Interconnection Agreements. (AT&T Ex. 7.0 at 29). Further, the Michigan Commission ordered Ameritech to provide common transport that could be shared by both new entrants and Ameritech. (Id.). The Wisconsin Commission has also ruled that Ameritech provide common transport as a network element. (Id. at 49).

AT&T and MCI also listed numerous flaws and inefficiencies in Ameritech's shared transport proposals. For example, its proposals result in the unnecessarily duplication of facilities. (MCI Ex. 1.0 at 18). Further, its transport proposals would cause congestion and a single point of failure for CLEC calls at the tandem switch. (AT&T Ex. 8.0 at 22-23). Finally, they note that Ameritech's transport proposals are prohibitively expensive and make a CLEC's use of the platform economically impossible. (MCI Ex. 1.0 at 18; MCI Ex. 2.2P at 49-50).

For all of these reasons, AT&T and MCI argue that Ameritech should be required to undertake a cost study for true common transport, and to provide common transport as a network element on a minute-of-use basis. Until the Commission adopts a permanent rate for common transport, they recommend that the Commission approve AT&T witness Webber's proposed interim of $0.00134 per minute of use, based upon his analysis of Ameritech's local transport and termination TELRICs.

WorldCom

WorldCom states that the FCC Order uses common transport and shared transport interchangeably and recognizes common transport as a network element. Also, it points to the FCC Order at ¶258 regarding common transport being a network element.

WorldCom further indicated that a number of FCC provisions provide for this transport option. The Company states that these include the definition of the ULS to include all features and functions, including functions integral to call routing. WorldCom further contends that, because the ULS provides its purchasers a right to use the switches' call routing instructions, it also must include the right to use the network to which they point. Also, WorldCom states that the FCC defined the ULS to include trunk ports as a shared resource of the switch, no different than the switching matrix itself. (WorldCom Ex. 1.3 at 14-16). Its witness Gillan further pointed out that at least five RBOCs offer a common transport option which include Pacific Bell, Southwestern Bell, Bell Atlantic, Bell South, and NYNEX. (Id. at 16).

Commission Analysis and Conclusion

We conclude that Ameritech Illinois is required by the Act and the FCC regulations to provide unbundled local transport to requesting carriers. Unbundling of local transport/interoffice transmission facilities is required under Section 251(c)(3), and it is a separate "competitive checklist" item under Section 271. (47 U.S.C. §271(c)(2)(B)(v)). The FCC concluded that "incumbent LECs must provide interoffice transmission facilities on an unbundled basis to requesting carriers." (FCC Order ¶ 439)

The FCC in its regulations has defined interoffice transmission facilities as follows.

> [I]ncumbent LEC transmission facilities dedicated to a particular customer or carrier, or shared by more than one customer or carrier, that provide telecommunications service between wire centers owned by incumbent LECs or requesting telecommunications carriers, or between

switches owned by incumbent LECs or requesting telecommunications carriers.
(47 C.F.R. § 51.319(d)).

Ameritech Illinois is further required to provide, in addition to exclusive use of dedicated interoffice transmission facilities, "use of the features, functions and capabilities of interoffice transmission facilities shared by more than one customer or carrier" and to provide "all technically feasible transmission facilities, features, functions and capabilities that the requesting telecommunications carrier could use to provide telecommunications services." (47 C.F.R. § 51.319(d)(2)).

As is the case with all network elements, the FCC's regulations provide that an incumbent LEC "shall not impose limitations, restrictions, or requirements on requests for, or the use of, unbundled network elements that would impair the ability of a requesting telecommunications carrier to offer a telecommunications service in the manner the requesting telecommunications carrier intends." (47 C.F.R. § 51.309(a)).

This Commission agrees with WorldCom, AT&T, MCI and Staff and finds that Ameritech Illinois' position on shared transport is inconsistent with the FCC's Order and with the common understanding of shared transport, and would raise yet another barrier to entry by new competitors. The FCC, first of all, plainly contemplated the provision of common transport by the incumbent local exchange carriers. Discussing its concept of unbundled elements as physical facilities of the network together with the features, functions, and capabilities associated with those facilities, the FCC observed:

For some elements, especially the loop, the requesting carrier will purchase exclusive access to the element for a specific period, such as on a monthly basis. Carriers seeking other elements, especially shared facilities such as common transport, are essentially purchasing access to a functionality of the incumbent's facilities on a minute-by-minute basis. (FCC Order ¶ 258).

Moreover, in its most recent Order and Rules on the implementation of the local competition provisions of the Federal Act of 1996, the FCC clearly identified shared transport as transmission facilities shared by more than one carrier, including the incumbent LEC. (See, FCC Third Order on Reconsideration at Appendix A, Section 51.319(d)(1)(ii)).

The FCC's remarks correspond to the common understanding of the term, and confirm that shared/common transport is a network element required to be unbundled to satisfy the requirements of Section 251(c)(3).

Ameritech does offer an alternative, but it too is inconsistent with the Act. Ameritech Illinois has stated two alternatives: its "Shared Company" option and its "Shared Carrier" option. Both of these options amount to nothing more than variations

of dedicated transport. First, as defined in Ameritech's tariff, Ameritech's Shared Carrier option defines shared transport as "dedicated to a group of two or more carriers" who, as a group, must order an entire facility. Under Ameritech's new "Shared Company Transport" offering, a requesting CLEC can purchase a DS-1 or larger trunk under the same terms as set forth in Ameritech's original Shared Carrier Transport proposal. In other words, the CLEC can purchase dedicated transport facilities and, if it chooses, share those facilities with other CLECs. Ameritech would also allow a CLEC to order up to 23 DS-0 level trunks on a DS-1 trunk between two Ameritech end offices. The DS-0 transport facilities would be dedicated to the CLEC and would have to terminate at both ends on dedicated trunk ports separately purchased by the CLEC. If the CLEC desires more than 23 such trunks, it would be required to order a dedicated DS-1 facility. The CLEC would pay for the trunk ports at a fixed monthly rate of $1/24^{th}$ of the DS-1 trunk port charge for each activated trunk. The CLEC would also pay for the transport at either (a) a flat rate per activated trunk equal to $1/24^{th}$ of the DS-1 monthly rate or (b) a usage sensitive rate based on minutes of use.

The Commission finds that Ameritech's ULT proposal is inconsistent with the FCC Order and with the common understanding of shared transport. The Commission views Ameritech's new proposal as simply an option to purchase dedicated transport down to a circuit-by-circuit, or DS-0, level, and not an option to purchase true shared transport. The Commission notes that Ameritech witness Gebhardt, has described its modified proposal as "dedicated transport services at less than the DS-1 level." Ameritech Ex. 1.4, p. 6 (emphasis added). As with its original ULT proposal, Ameritech will not make available the full functionality of its transport facilities with a CLEC and CLEC traffic will not be carried over Ameritech's existing, switched network, but only by discrete, dedicated facilities.

Moreover, the Commission finds that both of Ameritech's ULT offerings suffer from several engineering and administration deficiencies. Rather than allowing for the shared use of existing capacity on in-place facilities, Ameritech is recommending that CLECs design, engineer and build what amount to parallel interoffice networks just to achieve interoffice connection needed to allow for ubiquitous organization and termination of their customers' traffic. The CLEC would also have to engineer its network without the benefit of any historical traffic data. The Commission is also troubled by the fact that Ameritech's transport proposals would cause congestion and a single point of failure for CLEC calls at the tandem switch. Tandem switches were not designed to handle this traffic congestion. (AT&T Ex. 8.0, pp. 22-23). The Commission further notes that Ameritech's transport proposals would amount to prohibitively expensive transport, making UNEs an undesirable entrant plan. A CLEC using Ameritech's version of shared transport to provision the platform would effectively have to pay for dedicated transport from each Ameritech end office – 265 in Illinois – to provision its parallel network. (AT&T Ex. 7.0, p. 23).

We also conclude that Ameritech Illinois' positions, particularly as expressed in its Brief on Exceptions, are inconsistent with prior Commission Orders, including our

discussion of the transiting issue in Docket 96 AB-006 (Arbitration Decision in Docket 96 AB-006 at 19). We note that in this proceeding Ameritech Illinois witness O'Brien expressed Ameritech Illinois' commitment to include a transiting feature in its End Office Integration Tariff, which would describe the features, terms and conditions as well as prices for the service. (AI Ex. 2.1 at 28). We direct Ameritech Illinois to include transiting language in its compliance tariff and provide supporting cost studies.

We conclude that "common transport" as used in this proceeding is synonymous with what the FCC also refers to as "shared transport," meaning the shared use of the incumbent LEC's interoffice network including the shared use of the existing routing instructions in the switch. Accordingly, we direct Ameritech Illinois to file a tariff and supporting cost study for common or "shared" transport in accordance with our findings herein, within 45 days of entry of this order.

We shall establish an interim rate for shared or common transport equivalent to $0.0134 per minute of use as suggested by AT&T witness Webber. Although we recognize that his calculation was based on certain common and shared cost allocation adjustments which we have not adopted, we agree with WorldCom that it is essential that Ameritech Illinois make the shared transport offering available immediately. We note that a usage sensitive rate, as was proposed by Mr. Webber, has been specifically endorsed by the FCC over the same objections Ameritech Illinois has raised here. Finally, since Ameritech Illinois has been quite zealous in resisting the notion of providing common transport, Mr. Webber's proposed interim rate is the only rate presented in this record.

O. OS/DA Customized Routing

AT&T/MCI

On an issue directly linked to the provision of shared transport, AT&T and MCI further observe that Ameritech should be required to provide customized routing by class of call, including customized routing of OS and DA, as a standard offering, since the two offerings (shared transport and customized routing) utilize the identical technology. They referenced Mr. O'Brien's testimony, who indicated that Ameritech intends to require CLECs to resort to a time consuming, burdensome and costly BFR process to obtain customized routing by class of call when a CLEC orders more than 25 line class codes in a switch. (Tr. 1441-42).

They label this qualification as unreasonable, given the fact that Ameritech concedes that technology required for customized routing of OS/DA is the same technology used when a CLEC subscribes to Ameritech's version of "shared"/dedicated transport – the use of line class codes. (Tr. 1441, 1730-31). They contend that 25 line class codes rarely, if ever, will be sufficient to accomplish selective routing of calls to AT&T's OS/DA platform – one of the primary uses to which AT&T would put custom

routing. AT&T's experience has determined customized routing of OS/DA will require approximately 60 line class codes per switch. (AT&T Ex. 8.1 at 42).

Position of Ameritech Illinois

Ameritech Illinois states that it offers customized routing of OS/DA traffic without requiring a BFR process where the number of line class codes to be utilized by the purchaser of ULS does not exceed 25. It further contends that, while AT&T/MCI argue that 25 line class codes is not an adequate number, they appear to be confusing the number of line class codes needed in the context of ULS for the number needed in the context of resale, where additional line class codes are necessary if a carrier is to custom route OS/DA traffic with a full menu of resold services. In its Reply Brief, the Company further states that if their position should prove to be correct in the future that additional line class codes are needed in the context of ULS, then it will revise upward the number of line class codes which will be considered part of a standard order where a purchaser will not have to use the BFR process.

Commission Analysis and Conclusion

The Commission rejects Ameritech's proposal to require CLECs to resort to a Bona Fide Request ("BFR") process to obtain customized routing by class of call when a CLEC orders more than 25 line class codes in a switch. This would most likely apply if a carrier wished to have the OS and DA calls of its customers routed to its own OS/DA platform.

The FCC's regulations provide that Ameritech is required to provide requesting carriers with "nondiscriminatory access" to "local switching capability," which includes "any technically feasible customized routing functions provided by the switch." (47 C.F.R. § 51.319). The FCC stated (at ¶ 536) that incumbent LECs are required "to the extent technically feasible, to provide customized routing, which would include such routing to a competitor's operator services or directory assistance platform."

Ameritech has made no effort to demonstrate that it has provided customized routing of operator services/directory assistance traffic to the extent such routing is technically feasible. As noted above, the only limitation on Ameritech's obligation to provide customized routing is technical feasibility. The FCC has required RBOCs to prove technical infeasibility of customized routing "in a particular switch" and by "clear and convincing evidence." (FCC Order ¶ 18; 47 C.F.R. § 51.315(e)). The Commission recognizes that an ILEC is required to make modifications to its network to accommodate new entrants and the requirements of competition. (FCC Order ¶ 202).

For ULS, Ameritech clarified that its offer to provide customized routing on a standard basis applies to all purchasers of ULS making normal requests for customized routing involving 25 or fewer line class codes. In instances where the use of more than

25 line class codes is requested, according to Ameritech's proposal, such requests will continue to be handled through the BFR process.

The Commission finds Ameritech's contention of technical infeasibility highly questionable in light of the fact that customized routing of OS/DA traffic is technically identical to the customized routing inherent in its Shared Carrier Transport and Shared Company Transport proposals.

Moreover, Ameritech has also offered no support for its planning assumption that less than 25 line class codes are required per ULS customer. In fact, the evidence presented at hearing indicated that this assumption is false and carriers like AT&T will require more than 25 line class codes for robust service offerings such as OS/DA. (AT&T Ex. 8.1, p. 42). As a result, Ameritech's custom routing offer that is limited to 25 line class codes is essentially equivalent to no standard offer custom routing at all. The Commission rejects this limitation.

In its Brief on Exceptions Ameritech Illinois indicated its intention to provide customized routing of OS/DA traffic on a standardized basis to purchasers of ULS without a 25 line class code restriction.

III. UNBUNDLED LOCAL SWITCHING

This proceeding involves consideration of Ameritech Illinois' tariff, filed with the Commission on September 23, 1997. While that tariff has been dismissed by agreement of the parties, an updated version is attached to Mr. O'Brien's testimony and, together with that testimony, forms the basis for the Commission's consideration of the Company's offering of UNEs; ULS; end office integration; access to poles, conduits, and rights-of-way; collocation services; unbundled tandem switching; unbundled directory assistance; unbundled operator services; access to unbundled Signaling System 7; access to unbundled 800 database; access to LIDB database; and unbundled interoffice transport.

A. Access Charges

Ameritech Illinois' Position

Ameritech Illinois points out that the Access Charge Reform Order resolves all interstate issues with respect to whether incumbent LECs can access CCL and RIC charges in connection with ULS. Since the FCC's order became effective on June 17, 1997 the transition period permitting such charges now is ended and Ameritech will comply and will not impose a CCL or RIC charge.

With respect to which carrier bills and collects access charges under its proposals, Ameritech discusses two different configurations. Under the first, a

purchaser subscribes to ULS and uses one of its three dedicated transport options. Under this scenario, the ULS purchaser bills all local switching and transport rate elements to the IXC and retains the revenues. Consistent with the FCC's Access Charge Reform Order, Ameritech will not bill interstate CCL and RIC charges and will not bill such charges on a intrastate basis either.

Ameritech Illinois contends that different rate treatment should apply if IXCs use its public switch network (what the IXC's refer to as the "common transport" option) to originate or terminate the calls to end users served by a carrier which subscribes to ULS. Under this second configuration, the Company contends that the IXC is subscribed to its switched access service. Therefore, it contends it should bill the IXC for standard, Feature Group D access charges for both originating and terminating traffic and will not bill the carrier purchasing ULS any ULS charges in connection with that traffic. Further, the carrier will not bill the IXC at all, since it is not involved in the transport or termination of the call.

Ameritech Illinois argues that its position on carrier access charges under the second configuration is consistent with the letter and the intent of the Act. ULS purchasers should not be entitled to assess access charges where Ameritech Illinois, and not the ULS purchaser, in fact provides the access service over its facilities. Ameritech argues that it was clearly not the intent of the Act or the FCC Order to re-define existing services. Ameritech further contends that the FCC does not address the issue of mixing UNEs and services, such as switched access service. Further, it argues that WorldCom's position with respect to "shared" trunk ports does not mandate a different approach. Ameritech points out that in the Access Charge Reform Order, the FCC ordered that all trunk port costs be removed from the local switching element and become either dedicated or per-minute of-use rate elements associated with the access trunk. Accordingly, WorldCom's position that the ULS rate element includes a share of trunk port costs cannot be correct on a going-forward basis.

Finally, Ameritech Illinois argues that the Commission's Wholesale Order did not decide the specific access charges issues that are being addressed in this proceeding. The Company contends that no party had developed a position on what forms of transport could be associated with the ULS platform in that proceeding, or what the access charge implications would be. Accordingly, it is simply wrong to argue that the Commission already has resolved this issue.

AT&T and MCI

AT&T and MCI opine that Ameritech's ULS offering violates the Act and the FCC Order because it deprives CLECs of the use of all features, functions and capabilities of the switch, including the right to provide originating and terminating access services for interstate, intrastate and 800 calls, and the right to use all functionalities of the switch without engaging in a laborious Switch Feature Request process, and imposes excessive charges for use of the ULS element.

They quote from the FCC Order, which states that a CLEC purchasing the unbundled local switching element has the right to make use of that element to the maximum extent possible. The FCC Order defines ULS to include "line-side and trunk-side facilities plus all features, functions, and capabilities of the switch". (FCC Order ¶ 412). The FCC clarified that when a CLEC purchases the ULS element, it obtains access to all of the above features, functions and capabilities on a per line basis. (Order on Reconsideration, ¶ 11).

AT&T and MCI further note that this Commission (in its Order in Docket 95-0458/0531 at 65) already has also determined that the ULS purchaser – and not Ameritech – will provide exchange access when it serves end users.

Contrary to these clear FCC and ICC mandates, AT&T and MCI note that Ameritech nevertheless has conditioned the right of a ULS subscriber to provide exchange access services – unquestionably a feature, function or capability of the switch – and receive revenues therefrom upon the Ameritech-imposed requirement that the CLEC routes the traffic that would use exchange access over a dedicated trunk port facility within the local switch. (AT&T Ex. 8.1 at 27). Purchase of this additional dedicated trunk port (or portion thereof) facility is, of course, conveniently part and parcel of Ameritech's version of "shared" transport.

They summarize that Ameritech's position erroneously presumes, however, that it is the one authorized to determine whether or not the CLEC can provide originating and terminating access service and receive the associated access charges. Ameritech has itself determined that if the CLEC purchases the ULS element and a dedicated trunk port, the CLEC provides the exchange access service and collects the revenues from the IXC. If, however, the CLEC purchases the ULS element, including a line-side port, a trunk-side port and usage, but does not also purchase a dedicated trunk-side port and trunk, then Ameritech claims that the switching function must be considered part of its switched access service, for which Ameritech is entitled to charge the IXC, regardless of the fact that the call is originated by or terminated to an end user customer of the CLEC. (MCI Ex. 1.0 at 16-17).

Ameritech theorizes that since the ULS purchaser is not assessed a usage charge under this scenario, it has no basis for claiming it can provide originating or terminating access service. (AI Ex. 2.0 at 27-28; AT&T Ex. 8.0 at 8). AT&T and MCI contend that Ameritech is simply wrong. Ameritech is not entitled to charge access charges to IXCs when IXC traffic is originated on or terminated to the CLEC's ULS element. Indeed, such a compensation scheme would violate the cost-based pricing mandates of Section 252(d). (MCI Ex. 1.0 at 15-17; MCI Ex. 2.2P at 43-44).

In fact, MCI and AT&T contend that the FCC foreclosed precisely what Ameritech is trying to do by defining the ULS element to include the "line-side and trunk-side facilities plus the features, functions and capabilities of the switch." FCC Order ¶ 412 (emphasis added). While both line-side and trunk-side functionality must

be available in order to accomplish the switching function, the FCC nowhere limited the trunk-side functionality that ILECs must provide as part of the ULS network element only to dedicated trunk port facilities. To the contrary, in discussing rates for ULS in its FCC Order, the FCC strongly suggested against limiting the ULS network element to a dedicated trunk port. (FCC Order ¶ 810; AT&T Ex. 8.1 at 29). Moreover, in its First Order on Reconsideration, the FCC included trunk ports in its list of "traffic sensitive components of the local switching element." (First Order on Reconsideration, ¶ 6).

AT&T and MCI observe that Ameritech witness O'Brien was forced to concede the absurdity of Ameritech's position on cross examination. He admitted that regardless of the fact that the ULS purchaser already has purchased a trunk-side port and is providing the switching function for all calls to and from its end users, Ameritech still contends it somehow has the right to perform the switching function for and retain revenues from local exchange access service provided for calls originated by and terminated to end users of the CLEC unless that CLEC also purchases a dedicated trunk port and custom routing. (Tr. 1373-93).

They claim that Mr. O'Brien also conceded that under its ULS proposal, Ameritech would double-recover the cost of the line port on interstate calls – once from the IXC through switched access charges and again from the CLEC through the ULS charge. (Tr. 1396-98). He was forced to admit that Ameritech would also double-recover the full cost of the trunk port – once from the CLEC, and again through switched access charges from IXCs for the origination and termination of both interstate and intrastate calls. (Tr. 1367-69, 1374-75; MCI Ex. 2.2P at 52-53).

In sum, AT&T and MCI conclude that Ameritech may not restrict the services it offers to UNE purchasers, including ULS and/or platform purchasers. (FCC Order ¶ 292). A ULS purchaser is entitled to provide the switching function and be compensated for it, in all cases. The CLEC, not Ameritech, provides the local switching for exchange access traffic to originate or terminate calls to or from its customers, and both the FCC and this Commission explicitly have granted the ULS purchaser the right to provide those services and collect those access charges.

AT&T and MCI rebut Ameritech Illinois' concerns as to the technical feasibility of providing billing information to CLECs in order for them to bill IXCs for terminating access under Staff's and intervenors' definition of common/shared transport. As AT&T witness Sherry testified on cross examination, it indeed is technically feasible for Ameritech to provide information to CLECs on a daily and monthly basis sufficient to allow ULS subscribers to bill IXCs terminating carrier access charges. In fact, several RBOCs either have agreed voluntarily to or have been ordered by state commissions to provide such information.

WorldCom

WorldCom witness Gillan identifies three components of switched access service: the loop, the local switch, and the transport to and from the local switch. For several years, the FCC has regarded the loop/local switching and the transport as separate access components. The vast majority of access charges relate to the use of the first group, the loop/local switch that serve the end-user. These facilities jointly provide local service and access service. Therefore, the sole source of switching access service is the local provider. The switching charges that typically apply are the local switching, the carrier common line charge and the residual interconnection charge.

WorldCom objects to Ameritech's assertion that the trunk ports on the local switch which connect to the interexchange carriers' transport circuits are a feature of the switch that can be used only by Ameritech, establishing Ameritech as the provider of all switched access service. WorldCom argues that this is contrary to the decisions of the FCC and the Commission that the purchaser of the local switch obtains every feature, function and capability of the local switch without exception. WorldCom submits that the FCC made clear that the role of access provider was inextricably linked to the purchase of the local switching network element, through which the purchasing carrier obtains exclusive right to provide all features, functions and capabilities of the switching, including switching for exchange access and local exchange service for that end user.

Mr. Gillan testified that Ameritech's proposal would result in Ameritech retaining an access monopoly because interexchange carriers are not likely to establish separate access transport networks simply to access the customer base of new entrants who would enter the market without a single customer.

Commission Analysis and Conclusion

As an RBOC Ameritech is required to provide local switching unbundled from local loop facilities and local transport. (47 U.S.C. § 271(c)(2)(B)(vi)). As an incumbent LEC, Ameritech is required to provide nondiscriminatory access to local switching as an unbundled network element. (47 C.F.R. § 51.319(c)). The FCC has stated that "a carrier that purchases the unbundled local switching element to serve an end user effectively obtains the exclusive right to provide all features, functions, and capabilities of the switch, including switching for exchange access and local exchange service." (Order On Reconsideration, ¶ 11).

Ameritech's proposal for the unbundling of local switching is contained in its "ULS" offering. This Commission finds that Ameritech's ULS proposal conflicts with the FCC's Order, and with this Commission's Order in the Wholesale/Platform Case, in at least three fundamental respects. First, it impermissibly restricts the carrier purchasing ULS from providing service (originating and terminating access) which a purchasing

carrier may provide using the switch. Second, as already noted above, it fails to include the customized routing which is a part (a "feature" or "function") of the switch and to which a purchasing carrier is entitled. Third, it imposes improper charges on a purchasing carrier.

As indicated above, the FCC has made it explicit that the incumbent LEC may not restrict the services that may be offered by a purchaser of unbundled network elements, including the unbundled local switch and the platform. (FCC Order ¶ 292). Thus, consistent with the Act, a purchaser of the unbundled local switch must be permitted to offer originating and terminating access for calls made and received by its customers. Consequently, the competing CLEC which purchases ULS is entitled to recover originating and terminating access charges from the interexchange carrier in these circumstances. The FCC stated:

> We also note that where new entrants purchase access to unbundled network elements to provide exchange access services, whether or not they are also offering toll services through such elements, the new entrants may assess exchange access charges to [interexchange carriers] originating or terminating toll calls on those elements. In these circumstances, incumbent LECs may not assess exchange access charges to such [carriers] because the new entrants, rather than the incumbents, will be providing exchange access services, and to allow otherwise would permit incumbent LECs to receive compensation in excess of network costs in violation of the pricing standard in section 252(d). (FCC Order, ¶ 363, n. 772).

This Commission similarly ruled in the Wholesale Case that carriers purchasing the switch platform are entitled to provide access and receive the associated revenues. (Wholesale Order (June 26, 1996), p. 65).

Ameritech's plan to retain originating and terminating access is in contravention of the Act and the FCC's and this Commission's orders. Ameritech has decided not to charge the ULS switch purchaser the appropriate usage charge for originating and terminating access traffic, and on that basis it contends it is entitled to retain the access revenues. Ameritech's position is impermissible. Ameritech cannot, consistent with the FCC and ICC order cited above, be permitted simply to forego collection of charges for originating and terminating usage under ULS and use that as an excuse to retain the access revenues. Rather, use of the switch by the purchasing carrier must be unrestricted and, if that carrier chooses to provide access, it must receive the corresponding revenues. The choice is that of the purchasing carrier, not of Ameritech.

Moreover, Ameritech witness Mr. O'Brien conceded that under its ULS proposal, Ameritech would double recover the cost of the line port on interstate calls – once from

the IXC through switched access charges and again from the CLEC through the ULS charge. (Tr. 1396-98). Mr. O'Brien was also forced to admit that Ameritech would also double recover the full cost of the trunk port – once from the CLEC, and again through switched access charges from IXCs for the origination and termination of both interstate and intrastate calls. (Tr. 1367-69, 1374-75; MCI Ex. 2.2P, pp. 52-53). The Commission finds these forms of double recovery unacceptable.

The Commission also rejects Ameritech's concerns as to the technical feasibility of providing billing information to CLECs in order for them to bill IXCs for terminating access under Staff and intervenors' definition of common transport. The Commission agrees with AT&T and MCI that it is indeed technically feasible for Ameritech to provide information to CLECs on a daily and monthly basis sufficient to allow UNE subscribers to bill IXCs terminating carrier access charges. The Commission finds it quite instructive that many other RBOCs have voluntarily agreed to or have been ordered by state commissions to provide such information.

In its Brief on Exceptions Ameritech Illinois indicated its intention to abide by the FCC's Third Order on Reconsideration's finding on access charges, although it intends to challenge the legality of that Order.

B. Usage Development and Implementation

AT&T/MCI

AT&T and MCI take issue with Ameritech's ULS tariff that proposes an exorbitant Usage Development and Implementation Charge of $33,668.81 to be imposed on a per-switch per-carrier basis to each ULS subscriber. (AT&T Ex. 8.0 at 18-19). As AT&T witness Henson testified, it is highly questionable whether such sunk costs have any relevance to a forward-looking cost analysis. (AT&T Ex. 1.0 at 66, fn. 72; AT&T Ex. 8.0 at 19). Moreover, as Mr. Sherry and WorldCom witness Gillan point out, 73% of the costs Ameritech proposes to recover with the Usage Development and Implementation Charge are costs associated with trunk billing capability. (AT&T Ex. 8.1 at 25; WorldCom Ex. 1.2 at 19). These trunk billing capability costs are costs connected with the deployment of dedicated trunk ports, which is necessary only under Ameritech's improper interpretation of unbundled shared/dedicated transport, an interpretation which violates the very letter of the FCC Order. As such, these costs are improper, and should be excluded. (AT&T Ex. 8.1 at 25; AT&T Ex. 1.2P at 11; WorldCom Ex. 1.2P at 19).

To the extent the Commission nevertheless deems the recovery of any of these costs appropriate, AT&T and MCI contend that they should be recovered in a competitively neutral manner from all network users – including Ameritech, who also

will benefit from the billing and trunk ordering development activities. (WorldCom Ex. 1.2 at 19; AT&T Ex. 1.2P at 11; AT&T Ex. 8.0 at 19; AT&T Ex. 8.1 at 24; MCI Ex. 2.2P at 27).

Additionally, even if competitively neutral recovery is provided for, the Commission should review Ameritech's proposal for assessing or calculating this charge on a per-switch per-carrier basis to ensure that there is no over-recovery by Ameritech of these "one time" costs, a concern Ameritech's current proposal does not allay, but exacerbates. (AT&T Ex. 8.0 at 20). Mr. O'Brien's explanation of Ameritech's demand estimate process gives no indication that the Company considered the demand associated with AT&T's request for a platform trial, and similar requests to be anticipated from other CLECs, in setting the level for its proposed Usage Development and Implementation Charge. (AT&T Ex. 8.1 at 26). Mr. O'Brien, the witness sponsoring Ameritech ULS offering, testified on cross examination that he was unaware that AT&T had ordered the platform in Illinois. (Tr. 1447-48).

AT&T and MCI observe that Ameritech's demand estimates also neglect to include all switches in its region despite the fact that it is required by law to provide ULS in each and every one of them, and neglect to include it as a carrier that will use and benefit from its activities. (WorldCom Ex.1.1 at 10-11; Staff Ex. 1.02P at 13).

They propose that Ameritech be required to support this charge with well-documented cost studies, removing the obvious errors noted above. Competitively neutral cost recovery is recommended. To the extent the Commission agrees that this charge is appropriate at all, they propose that it should establish a per-carrier per-switch charge somewhere in the range of the Mr. Gillan's corrected calculation of $33.34 per-carrier per-switch, and Mr. Price's calculation of $146.24 per-carrier per-switch. (Staff Ex. 1.02P at 12-14). To ensure that the charge is terminated after the demand estimates have been reached, a tracking, true-up and refund procedure should be established so that Ameritech does not overrecover any costs ultimately approved by the Commission.

WorldCom

Mr. Gillan testified that the proposed Billing Establishment Charge of more that $33,000 per ULS switch is dramatically overstated. By using more reasonable demand projections and removing a category of costs that are of Ameritech's own creation, this charge (if it is retained at all) falls to less than $30 per switch. If condoned in its present inflated and unjustified form, Ameritech's proposed Billing Establishment Charge would create an artificial, yet highly effective, barrier to entry. (WorldCom Exhibit 1.2 at 2).

Mr. Gillan states further that the charge "is a proposal by Ameritech to impose on ULS purchasers a one-time charge of $33,668.81 per switch "to recover (1) costs to identify different types of calls (interswitch and intraswitch, for instance), and (2) costs